



**BENTON COUNTY, MISSOURI
YEARS ENDED DECEMBER 31, 2003 AND 2002**

**From The Office Of State Auditor
Claire McCaskill**

**Report No. 2004-71
September 20, 2004
www.auditor.mo.gov**

AUDIT REPORT



Office Of The
State Auditor Of Missouri
Claire McCaskill

September 2004

IMPORTANT: The Missouri State Auditor is required by state law to conduct audits once every 4 years in counties, like Benton County, that do not have a county auditor. In addition to a financial and compliance audit of various county operating funds, the State Auditor's statutory audit covers additional areas of county operations, as well as the elected county officials, as required by Missouri's Constitution.

This audit of Benton County included additional areas of county operations, as well as the elected county officials. The following concerns were noted as part of the audit:

- The county's General Revenue Fund is experiencing a declining cash balance. Despite a growth in receipts, the county has spent more than it received during the last two years and anticipates a similar situation during 2004. The General Revenue Fund 2004 budget document projects a \$800 year-end cash balance.
- The county's criteria and selection procedures related to selecting an architect to design and administer the construction of an E-911 facility were not adequately documented. In addition, although significant building design changes were made after bids on the original design for the E-911 facility were opened, the county did not reject all bids and re-bid the project.
- In 1999, mid-term raises, of approximately \$9,986, were given to the Associate Commissioners. On May 15, 2001, the Missouri Supreme Court handed down an opinion that challenged the validity of Section 50.333.13, RSMo, which allowed county salary commissions in 1997 to provide mid-term salary increases for associate county commissioners. The Supreme Court held this section of law violated Article VII, Section 13 of the Missouri Constitution, which specifically prohibits an increase in compensation for state, county and municipal officers during the term of office. The county has not documented its review of the Supreme Court decision.
- The County Treasurer did not prepare proper bank reconciliations, distribute surplus monies from land tax sales as provided by law, or prepare semiannual settlements.
- Numerous problems were noted with the County Collector's control procedures. Bank reconciliations are not prepared on a timely basis and bank balances are not reconciled to liabilities, resulting in a \$5,100 shortage in the bank accounts. A \$1,358 shortage from the prior audit was reimbursed by the collector. Outstanding

(over)

YELLOW SHEET

checks are not monitored and approximately \$8,055 in old outstanding checks were added back to the cash balance in the collector's records with no effort made to locate payees or reissue new checks. Some bank account balances were not adequately monitored for the sufficiency of pledged collateral securities or commercial insurance.

- Several problems were noted with the County Collector's property tax collection, distribution, and reporting procedures. Surtax collections continue to be distributed based on 1985 information. Property tax collection services provided to cities either are not supported by a written agreement or are based on outdated written agreements. Interest income earned from March 2000 through February 2004, totaling in excess of \$36,000, has not been distributed. Annual settlements were filed late, contained errors, and were not reviewed by the County Commission.
- In our prior report it was noted the County Collector was not properly distributing payment in lieu of tax monies, resulting in approximately \$12,000 being due from the county's General Revenue Fund to various political subdivisions. While these monies are now being properly distributed, the \$12,000 error has not been corrected.
- The Sheriff has not provided for a proper segregation of recordkeeping duties, the identification of liabilities, and timely deposits.
- The Health Center's budget document did not adequately project the anticipated financial position for the health center fund.

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BENTON COUNTY, MISSOURI

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FINANCIAL SECTION

State Auditor's Reports



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL
STATEMENTS AND SUPPLEMENTARY SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

To the County Commission
and
Officeholders of Benton County, Missouri

We have audited the accompanying Statements of Receipts, Disbursements, and Changes in Cash - Various Funds and Comparative Statement of Receipts, Disbursements, and Changes in Cash - Budget and Actual - Various Funds of Benton County, Missouri, as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the county's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 1 to the financial statements, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the receipts, disbursements, and changes in cash of various funds of Benton County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county as of and for the years ended December 31, 2003 and 2002, on the basis of accounting discussed in Note 1.

In accordance with *Government Auditing Standards*, we also have issued our report dated April 15, 2004, on our consideration of the county's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements, taken as a whole, that are referred to in the first paragraph. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The accompanying History, Organization, and Statistical Information is presented for informational purposes. This information was obtained from the management of Benton County, Missouri, and was not subjected to the auditing procedures applied in the audit of the financial statements referred to above. Accordingly, we express no opinion on the information.



Claire McCaskill
State Auditor

April 15, 2004 (fieldwork completion date)

The following auditors participated in the preparation of this report:

Director of Audits:	Thomas J. Kremer, CPA
Audit Manager:	Regina Pruitt, CPA
In-Charge Auditor:	John Lieser, CPA
Audit Staff:	Flower Chadraabal
	Malcolm Nyatanga



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the County Commission
and
Officeholders of Benton County, Missouri

We have audited the financial statements of various funds of Benton County, Missouri, as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated April 15, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the financial statements of various funds of Benton County, Missouri, are free of material misstatement, we performed tests of the county's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance which are described in the accompanying Management Advisory Report.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of various funds of Benton County, Missouri, we considered the county's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all

matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting which are described in the accompanying Management Advisory Report.

This report is intended for the information and use of the management of Benton County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo 2000, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

April 15, 2004 (fieldwork completion date)

Financial Statements

Exhibit A-1

BENTON COUNTY, MISSOURI
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
YEAR ENDED DECEMBER 31, 2003

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 262,253	1,729,013	1,808,530	182,736
Special Road and Bridge	635,338	1,320,698	1,216,442	739,594
Assessment	78	208,968	212,997	(3,951)
Law Enforcement Training	7,669	7,179	4,999	9,849
Prosecuting Attorney Training	934	1,791	1,389	1,336
Capital Improvement Sales Tax	434,481	774,261	564,355	644,387
Insurance	135,143	130,134	182,569	82,708
Adult Abuse	263	556	507	312
Prosecuting Attorney Bad Check	158	17,687	16,316	1,529
Recorder's User Fees	28,396	27,005	19,813	35,588
Prosecuting Attorney Delinquent Tax	3,227	1,971	0	5,198
Juvenile Detention	19,903	37,409	33,100	24,212
Sheriff Drug	345	4	349	0
Sheriff Civil	0	14,473	14,473	0
Circuit Clerk Interest	7,899	748	265	8,382
Health Center	903,575	2,804,432	2,577,376	1,130,631
D.A.R.E.	24	3,382	3,096	310
Local Law Enforcement Block Grant	96	3	99	0
Election Services	3,065	723	1,152	2,636
Law Library	4,131	9,078	5,937	7,272
E-911	70,583	520,539	232,851	358,271
Tax Maintenance	641	22,228	19,483	3,386
Drug Court	100	1,255	535	820
COPS Grant	0	127,263	84,920	42,343
Total	\$ 2,518,302	7,760,800	7,001,553	3,277,549

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit A-2

BENTON COUNTY, MISSOURI
 STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - VARIOUS FUNDS
 YEAR ENDED DECEMBER 31, 2002

Fund	Cash, January 1	Receipts	Disbursements	Cash, December 31
General Revenue	\$ 323,440	1,663,228	1,724,415	262,253
Special Road and Bridge	702,688	1,416,632	1,483,982	635,338
Assessment	1	215,186	215,109	78
Law Enforcement Training	5,586	7,431	5,348	7,669
Prosecuting Attorney Training	1,231	1,860	2,157	934
Capital Improvement Sales Tax	525,986	722,702	814,207	434,481
Insurance	127,469	152,918	145,244	135,143
Adult Abuse	853	449	1,039	263
Prosecuting Attorney Bad Check	1,303	14,222	15,367	158
Recorder's User Fees	16,217	26,223	14,044	28,396
Prosecuting Attorney Delinquent Tax	2,282	945	0	3,227
Juvenile Detention	12,616	39,201	31,914	19,903
Sheriff Drug	338	7	0	345
Sheriff Civil	4,530	12,438	16,968	0
Circuit Clerk Interest	6,708	1,304	113	7,899
Health Center	705,680	2,789,214	2,591,319	903,575
D.A.R.E.	24	1,268	1,268	24
Local Law Enforcement Block Grant	1,041	15	960	96
Election Services	2,985	2,094	2,014	3,065
Law Library	4,635	8,932	9,436	4,131
E-911	0	106,306	35,723	70,583
Tax Maintenance	0	641	0	641
Drug Court	0	350	250	100
Total	\$ 2,445,613	7,183,566	7,110,877	2,518,302

The accompanying Notes to the Financial Statements are an integral part of this statement.

Exhibit B

BENTON COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
TOTALS - VARIOUS FUNDS						
RECEIPTS	\$ 7,656,829	7,760,800	103,971	7,050,645	7,182,575	131,930
DISBURSEMENTS	9,150,467	7,001,553	2,148,914	9,093,922	7,110,627	1,983,295
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,493,638)	759,247	2,252,885	(2,043,277)	71,948	2,115,225
CASH, JANUARY 1	2,466,997	2,518,302	51,305	2,397,824	2,445,613	47,789
CASH, DECEMBER 31	973,359	3,277,549	2,304,190	354,547	2,517,561	2,163,014
GENERAL REVENUE FUND						
RECEIPTS						
Property taxes	252,000	261,723	9,723	249,700	238,287	(11,413)
Sales taxes	635,000	632,971	(2,029)	602,900	635,953	33,053
Intergovernmental	289,757	287,499	(2,258)	297,296	248,316	(48,980)
Charges for services	393,510	402,377	8,867	351,800	403,657	51,857
Interest	8,500	5,100	(3,400)	16,200	9,990	(6,210)
Other	78,975	80,460	1,485	83,850	54,225	(29,625)
Transfers in	62,498	58,883	(3,615)	85,670	72,800	(12,870)
Total Receipts	1,720,240	1,729,013	8,773	1,687,416	1,663,228	(24,188)
DISBURSEMENTS						
County Commissioner	88,755	88,267	488	87,840	88,244	(404)
County Clerk	76,600	72,700	3,900	76,140	72,890	3,250
Elections	27,750	22,324	5,426	79,090	49,235	29,855
Buildings and grounds	42,898	40,255	2,643	43,170	37,674	5,496
Employee fringe benefit	92,900	102,898	(9,998)	96,300	84,864	11,436
County Treasurer	32,190	33,076	(886)	32,290	31,380	910
County Collector	107,066	107,174	(108)	106,065	104,174	1,891
Ex Officio Recorder of Deed	31,582	28,554	3,028	32,427	27,320	5,107
Circuit Clerk	39,900	24,122	15,778	40,400	23,239	17,161
Court administration	45,527	17,983	27,544	50,380	18,300	32,080
Public Administrator	24,225	24,307	(82)	23,740	23,024	716
Sheriff	727,372	683,105	44,267	702,216	658,585	43,631
Jail	139,186	130,972	8,214	126,447	112,454	13,993
Prosecuting Attorney	213,001	201,677	11,324	135,465	129,407	6,058
Juvenile Officer	24,155	12,405	11,750	60,832	16,527	44,305
County Coroner	19,100	18,997	103	16,000	17,061	(1,061)
Public health and welfare service	500	0	500	500	0	500
Other	147,466	163,547	(16,081)	142,004	145,340	(3,336)
Transfers out	50,748	36,167	14,581	83,928	84,697	(769)
Emergency Fund	50,200	0	50,200	50,000	0	50,000
Total Disbursements	1,981,121	1,808,530	172,591	1,985,234	1,724,415	260,819
RECEIPTS OVER (UNDER) DISBURSEMENTS	(260,881)	(79,517)	181,364	(297,818)	(61,187)	236,631
CASH, JANUARY 1	262,253	262,253	0	323,440	323,440	0
CASH, DECEMBER 31	1,372	182,736	181,364	25,622	262,253	236,631

Exhibit B

BENTON COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SPECIAL ROAD AND BRIDGE FUND</u>						
RECEIPTS						
Property taxes	323,430	331,938	8,508	327,750	305,717	(22,033)
Intergovernmental	899,570	973,653	74,083	1,138,370	1,090,021	(48,349)
Charges for services	0	300	300	0	0	0
Interest	11,900	10,186	(1,714)	40,200	13,049	(27,151)
Other	5,950	4,621	(1,329)	11,200	7,845	(3,355)
Total Receipts	1,240,850	1,320,698	79,848	1,517,520	1,416,632	(100,888)
DISBURSEMENTS						
Salaries	510,000	455,321	54,679	530,000	477,831	52,169
Employee fringe benefit	65,600	59,418	6,182	76,500	59,054	17,446
Supplies	113,300	95,988	17,312	135,550	102,598	32,952
Insurance	26,500	27,441	(941)	22,500	23,857	(1,357)
Road and bridge materials	113,700	92,112	21,588	295,000	96,492	198,508
Equipment repairs	70,000	68,592	1,408	95,000	100,902	(5,902)
Rentals	5,600	3,886	1,714	44,000	4,802	39,198
Equipment purchases	135,000	81,067	53,933	273,000	111,889	161,111
Construction, repair, and maintenance	237,500	194,509	42,991	565,000	373,729	191,271
Other	65,200	71,029	(5,829)	75,100	65,047	10,053
Transfers out	71,500	67,079	4,421	60,000	67,781	(7,781)
Total Disbursements	1,413,900	1,216,442	197,458	2,171,650	1,483,982	687,668
RECEIPTS OVER (UNDER) DISBURSEMENTS	(173,050)	104,256	277,306	(654,130)	(67,350)	586,780
CASH, JANUARY 1	584,894	635,338	50,444	654,943	702,688	47,745
CASH, DECEMBER 31	411,844	739,594	327,750	813	635,338	634,525
<u>ASSESSMENT FUND</u>						
RECEIPTS						
Intergovernmental	196,400	184,805	(11,595)	195,924	182,515	(13,409)
Charges for services	3,250	3,601	351	2,400	3,345	945
Interest	550	562	12	2,200	551	(1,649)
Other	0	0	0	300	0	(300)
Transfers in	48,348	20,000	(28,348)	45,328	28,775	(16,553)
Total Receipts	248,548	208,968	(39,580)	246,152	215,186	(30,966)
DISBURSEMENTS						
Assessor	228,398	204,247	24,151	231,648	200,605	31,043
Transfers out	8,750	8,750	0	14,504	14,504	0
Total Disbursements	237,148	212,997	24,151	246,152	215,109	31,043
RECEIPTS OVER (UNDER) DISBURSEMENTS	11,400	(4,029)	(15,429)	0	77	77
CASH, JANUARY 1	78	78	0	1	1	0
CASH, DECEMBER 31	11,478	(3,951)	(15,429)	1	78	77

Exhibit B

BENTON COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>LAW ENFORCEMENT TRAINING FUND</u>						
RECEIPTS						
Charges for service:	8,000	7,179	(821)	6,500	7,431	931
Total Receipts	8,000	7,179	(821)	6,500	7,431	931
DISBURSEMENTS						
Sheriff	6,500	4,999	1,501	6,700	5,348	1,352
Total Disbursements	6,500	4,999	1,501	6,700	5,348	1,352
RECEIPTS OVER (UNDER) DISBURSEMENTS	1,500	2,180	680	(200)	2,083	2,283
CASH, JANUARY 1	7,669	7,669	0	5,586	5,586	0
CASH, DECEMBER 31	9,169	9,849	680	5,386	7,669	2,283
<u>PROSECUTING ATTORNEY TRAINING FUND</u>						
RECEIPTS						
Charges for service:	1,700	1,791	91	1,550	1,860	310
Total Receipts	1,700	1,791	91	1,550	1,860	310
DISBURSEMENTS						
Prosecuting Attorney	2,450	1,389	1,061	1,950	2,157	(207)
Total Disbursements	2,450	1,389	1,061	1,950	2,157	(207)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(750)	402	1,152	(400)	(297)	103
CASH, JANUARY 1	934	934	0	1,231	1,231	0
CASH, DECEMBER 31	184	1,336	1,152	831	934	103
<u>CAPITAL IMPROVEMENT SALES TAX FUND</u>						
RECEIPTS						
Sales taxes	660,000	695,170	35,170	663,000	693,539	30,539
Interest	8,500	11,058	2,558	30,700	13,539	(17,161)
Other	16,000	6,158	(9,842)	1,400	15,624	14,224
Transfer in	61,000	61,875	875	0	0	0
Total Receipts	745,500	774,261	28,761	695,100	722,702	27,602
DISBURSEMENTS						
Equipment	139,200	97,652	41,548	212,900	175,432	37,468
Buildings and grounds	394,000	175,037	218,963	162,200	25,257	136,943
Highways and road	396,000	291,666	104,334	630,000	553,518	76,482
Transfers out	0	0	0	70,000	60,000	10,000
Total Disbursements	929,200	564,355	364,845	1,075,100	814,207	260,893
RECEIPTS OVER (UNDER) DISBURSEMENTS	(183,700)	209,906	393,606	(380,000)	(91,505)	288,495
CASH, JANUARY 1	434,481	434,481	0	525,986	525,986	0
CASH, DECEMBER 31	250,781	644,387	393,606	145,986	434,481	288,495

Exhibit B

BENTON COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>INSURANCE FUND</u>						
RECEIPTS						
Interest	1,500	2,095	595	7,500	2,985	(4,515)
Other	68,400	59,172	(9,228)	82,000	44,739	(37,261)
Transfers in	75,400	68,867	(6,533)	69,000	105,194	36,194
Total Receipts	145,300	130,134	(15,166)	158,500	152,918	(5,582)
DISBURSEMENTS						
Employee fringe benefit	163,600	182,569	(18,969)	197,700	145,244	52,456
Total Disbursements	163,600	182,569	(18,969)	197,700	145,244	52,456
RECEIPTS OVER (UNDER) DISBURSEMENTS	(18,300)	(52,435)	(34,135)	(39,200)	7,674	46,874
CASH, JANUARY 1	135,143	135,143	0	127,469	127,469	0
CASH, DECEMBER 31	116,843	82,708	(34,135)	88,269	135,143	46,874
<u>ADULT ABUSE FUND</u>						
RECEIPTS						
Charges for service:	500	550	50	500	436	(64)
Interest	8	6	(2)	25	13	(12)
Total Receipts	508	556	48	525	449	(76)
DISBURSEMENTS						
Domestic violence shelte	700	507	193	850	1,039	(189)
Total Disbursements	700	507	193	850	1,039	(189)
RECEIPTS OVER (UNDER) DISBURSEMENTS	(192)	49	241	(325)	(590)	(265)
CASH, JANUARY 1	263	263	0	853	853	0
CASH, DECEMBER 31	71	312	241	528	263	(265)
<u>PROSECUTING ATTORNEY BAD CHECK FUND</u>						
RECEIPTS						
Charges for service:	15,730	15,238	(492)	15,000	14,166	(834)
Interest	250	82	(168)	450	56	(394)
Transfers in	2,367	2,367	0	0	0	0
Total Receipts	18,347	17,687	(660)	15,450	14,222	(1,228)
DISBURSEMENTS						
Prosecuting Attorney	1,490	1,174	316	50	219	(169)
Transfers out	12,000	15,142	(3,142)	16,500	15,148	1,352
Total Disbursements	13,490	16,316	(2,826)	16,550	15,367	1,183
RECEIPTS OVER (UNDER) DISBURSEMENTS	4,857	1,371	(3,486)	(1,100)	(1,145)	(45)
CASH, JANUARY 1	158	158	0	1,303	1,303	0
CASH, DECEMBER 31	5,015	1,529	(3,486)	203	158	(45)

Exhibit B

BENTON COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>RECORDER'S USER FEES FUND</u>						
RECEIPTS						
Charges for service:	23,900	26,306	2,406	19,800	25,641	5,841
Interest	550	699	149	1,500	582	(918)
Total Receipts	24,450	27,005	2,555	21,300	26,223	4,923
DISBURSEMENTS						
Office expenditure:	6,900	8,525	(1,625)	10,200	1,798	8,402
Equipment	5,000	4,213	787	3,400	4,575	(1,175)
Transfers out	9,500	7,075	2,425	8,500	7,671	829
Total Disbursements	21,400	19,813	1,587	22,100	14,044	8,056
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,050	7,192	4,142	(800)	12,179	12,979
CASH, JANUARY 1	28,396	28,396	0	16,217	16,217	0
CASH, DECEMBER 31	31,446	35,588	4,142	15,417	28,396	12,979
<u>PROSECUTING ATTORNEY DELINQUENT TAX FUND</u>						
RECEIPTS						
Intergovernmental	800	1,879	1,079	1,500	871	(629)
Interest	100	92	(8)	250	74	(176)
Total Receipts	900	1,971	1,071	1,750	945	(805)
DISBURSEMENTS						
Prosecuting attorney	218	0	218	900	0	900
Total Disbursements	218	0	218	900	0	900
RECEIPTS OVER (UNDER) DISBURSEMENTS	682	1,971	1,289	850	945	95
CASH, JANUARY 1	3,227	3,227	0	2,282	2,282	0
CASH, DECEMBER 31	3,909	5,198	1,289	3,132	3,227	95
<u>JUVENILE DETENTION FUND</u>						
RECEIPTS						
Charges for service:	37,890	36,985	(905)	36,150	38,784	2,634
Interest	250	424	174	650	417	(233)
Total Receipts	38,140	37,409	(731)	36,800	39,201	2,401
DISBURSEMENTS						
Detention center	34,253	33,100	1,153	35,823	31,914	3,909
Total Disbursements	34,253	33,100	1,153	35,823	31,914	3,909
RECEIPTS OVER (UNDER) DISBURSEMENTS	3,887	4,309	422	977	7,287	6,310
CASH, JANUARY 1	19,903	19,903	0	12,616	12,616	0
CASH, DECEMBER 31	23,790	24,212	422	13,593	19,903	6,310

Exhibit B

BENTON COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>SHERIFF DRUG FUND</u>						
RECEIPTS						
Interest	2	4	2	20	7	(13)
Total Receipts	2	4	2	20	7	(13)
DISBURSEMENTS						
Sheriff	342	349	(7)	357	0	357
Total Disbursements	342	349	(7)	357	0	357
RECEIPTS OVER (UNDER) DISBURSEMENTS	(340)	(345)	(5)	(337)	7	344
CASH, JANUARY 1	345	345	0	338	338	0
CASH, DECEMBER 31	5	0	(5)	1	345	344
<u>SHERIFF CIVIL FUND</u>						
RECEIPTS						
Charges for service:	12,500	14,473	1,973	14,500	12,438	(2,062)
Total Receipts	12,500	14,473	1,973	14,500	12,438	(2,062)
DISBURSEMENTS						
Other	4,000	0	4,000	0	0	0
Transfers out	8,500	14,473	(5,973)	19,020	16,968	2,052
Total Disbursements	12,500	14,473	(1,973)	19,020	16,968	2,052
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	0	0	(4,520)	(4,530)	(10)
CASH, JANUARY 1	0	0	0	4,530	4,530	0
CASH, DECEMBER 31	0	0	0	10	0	(10)
<u>CIRCUIT CLERK INTEREST FUND</u>						
RECEIPTS						
Interest	1,200	748	(452)	2,000	1,304	(696)
Total Receipts	1,200	748	(452)	2,000	1,304	(696)
DISBURSEMENTS						
Equipment and supplies	5,630	265	5,365	5,625	113	5,512
Total Disbursements	5,630	265	5,365	5,625	113	5,512
RECEIPTS OVER (UNDER) DISBURSEMENTS	(4,430)	483	4,913	(3,625)	1,191	4,816
CASH, JANUARY 1	7,953	7,899	(54)	6,535	6,708	173
CASH, DECEMBER 31	3,523	8,382	4,859	2,910	7,899	4,989

Exhibit B

BENTON COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>HEALTH CENTER FUND</u>						
RECEIPTS						
Property taxes	620,000	665,482	45,482	650,000	614,116	(35,884)
Intergovernmental	2,040,200	2,124,633	84,433	1,832,000	2,160,678	328,678
Interest	10,000	13,317	3,317	30,000	14,420	(15,580)
Other	15,000	1,000	(14,000)	15,000	0	(15,000)
Total Receipts	2,685,200	2,804,432	119,232	2,527,000	2,789,214	262,214
DISBURSEMENTS						
Salaries	1,677,836	1,624,888	52,948	1,612,620	1,545,762	66,858
Employee fringe benefit	288,000	299,386	(11,386)	312,680	258,756	53,924
Travel	145,500	116,955	28,545	133,200	136,725	(3,525)
Equipment	41,000	30,866	10,134	60,000	31,833	28,167
Office expenditure:	258,500	225,398	33,102	246,100	236,699	9,401
Other	1,177,939	279,883	898,056	868,080	381,544	486,536
Total Disbursements	3,588,775	2,577,376	1,011,399	3,232,680	2,591,319	641,361
RECEIPTS OVER (UNDER) DISBURSEMENTS	(903,575)	227,056	1,130,631	(705,680)	197,895	903,575
CASH, JANUARY 1	903,575	903,575	0	705,680	705,680	0
CASH, DECEMBER 31	0	1,130,631	1,130,631	0	903,575	903,575
<u>D.A.R.E. FUND</u>						
RECEIPTS						
Interest	2	6	4	12	2	(10)
Other	2,000	3,376	1,376	1,800	1,266	(534)
Total Receipts	2,002	3,382	1,380	1,812	1,268	(544)
DISBURSEMENTS						
Supplies	2,000	3,096	(1,096)	1,800	1,268	532
Total Disbursements	2,000	3,096	(1,096)	1,800	1,268	532
RECEIPTS OVER (UNDER) DISBURSEMENTS	2	286	284	12	0	(12)
CASH, JANUARY 1	24	24	0	24	24	0
CASH, DECEMBER 31	26	310	284	36	24	(12)
<u>LOCAL LAW ENFORCEMENT BLOCK GRANT FUND</u>						
RECEIPTS						
Interest	0	3	3	50	15	(35)
Total Receipts	0	3	3	50	15	(35)
DISBURSEMENTS						
Uniforms and equipmen	96	99	(3)	1,091	960	131
Total Disbursements	96	99	(3)	1,091	960	131
RECEIPTS OVER (UNDER) DISBURSEMENTS	(96)	(96)	0	(1,041)	(945)	96
CASH, JANUARY 1	96	96	0	1,041	1,041	0
CASH, DECEMBER 31	0	0	0	0	96	96

Exhibit B

BENTON COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>ELECTION SERVICES FUND</u>						
RECEIPTS						
Intergovernmental	1,900	723	(1,177)	2,950	2,094	(856)
Total Receipts	1,900	723	(1,177)	2,950	2,094	(856)
DISBURSEMENTS						
County Clerk	3,700	1,152	2,548	5,900	2,014	3,886
Total Disbursements	3,700	1,152	2,548	5,900	2,014	3,886
RECEIPTS OVER (UNDER) DISBURSEMENTS	(1,800)	(429)	1,371	(2,950)	80	3,030
CASH, JANUARY 1	3,065	3,065	0	2,985	2,985	0
CASH, DECEMBER 31	1,265	2,636	1,371	35	3,065	3,030
<u>LAW LIBRARY FUND</u>						
RECEIPTS						
Charges for service:	8,000	8,896	896	8,600	8,863	263
Interest	120	45	(75)	150	69	(81)
Other	0	137	137	0	0	0
Total Receipts	8,120	9,078	958	8,750	8,932	182
DISBURSEMENTS						
Law library	8,072	5,937	2,135	10,740	9,436	1,304
Total Disbursements	8,072	5,937	2,135	10,740	9,436	1,304
RECEIPTS OVER (UNDER) DISBURSEMENTS	48	3,141	3,093	(1,990)	(504)	1,486
CASH, JANUARY 1	3,957	4,131	174	4,764	4,635	(129)
CASH, DECEMBER 31	4,005	7,272	3,267	2,774	4,131	1,357
<u>E-911 FUND</u>						
RECEIPTS						
Sales Tax	510,000	515,703	5,703	45,000	46,233	1,233
Interest	200	4,334	4,134	0	70	70
Other	0	502	502	0	3	3
Transfers In	0	0	0	60,000	60,000	0
Total Receipts	510,200	520,539	10,339	105,000	106,306	1,306
DISBURSEMENTS						
Salaries	20,000	34,792	(14,792)	12,000	0	12,000
Office Expense:	3,000	2,376	624	3,000	0	3,000
Equipment	220,100	28,493	191,607	2,400	0	2,400
Mileage and training	2,000	1,203	797	2,000	0	2,000
Mapping and addressing	157,600	101,437	56,163	32,000	35,723	(3,723)
Other	25,500	1,244	24,256	4,600	0	4,600
Transfers out	61,000	63,306	(2,306)	0	0	0
Total Disbursements	489,200	232,851	256,349	56,000	35,723	20,277
RECEIPTS OVER (UNDER) DISBURSEMENTS	21,000	287,688	266,688	49,000	70,583	21,583
CASH, JANUARY 1	70,583	70,583	0	0	0	0
CASH, DECEMBER 31	91,583	358,271	266,688	49,000	70,583	21,583

Exhibit B

BENTON COUNTY, MISSOURI

COMPARATIVE STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH - BUDGET AND ACTUAL - VARIOUS FUND

	Year Ended December 31,					
	2003			2002		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<u>TAX MAINTENANCE FUND</u>						
RECEIPTS						
Charges for service:	20,000	22,202	2,202			
Interest	0	26	26			
Total Receipts	20,000	22,228	2,228			
DISBURSEMENTS						
County Collector	13,000	19,483	(6,483)			
Total Disbursements	13,000	19,483	(6,483)			
RECEIPTS OVER (UNDER) DISBURSEMENTS	7,000	2,745	(4,255)			
CASH, JANUARY 1	0	641	641			
CASH, DECEMBER 31	7,000	3,386	(3,614)			
<u>DRUG COURT FUND</u>						
RECEIPTS						
Charges for service:	500	1,025	525			
Other	500	230	(270)			
Total Receipts	1,000	1,255	255			
DISBURSEMENTS						
Drug court expenses	950	535	415			
Total Disbursements	950	535	415			
RECEIPTS OVER (UNDER) DISBURSEMENTS	50	720	670			
CASH, JANUARY 1	0	100	100			
CASH, DECEMBER 31	50	820	770			
<u>COPS GRANT FUND</u>						
RECEIPTS						
Intergovernmental	222,222	127,263	(94,959)			
Total Receipts	222,222	127,263	(94,959)			
DISBURSEMENTS						
Salaries	10,000	2,228	7,772			
Supplies and equipment	176,492	74,681	101,811			
Other	35,730	8,011	27,719			
Total Disbursements	222,222	84,920	137,302			
RECEIPTS OVER (UNDER) DISBURSEMENTS	0	42,343	42,343			
CASH, JANUARY 1	0	0	0			
CASH, DECEMBER 31	\$ 0	42,343	42,343			

The accompanying Notes to the Financial Statements are an integral part of this statement

Notes to the Financial Statements

BENTON COUNTY, MISSOURI
NOTES TO THE FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Reporting Entity and Basis of Presentation

The accompanying financial statements present the receipts, disbursements, and changes in cash of various funds of Benton County, Missouri, and comparisons of such information with the corresponding budgeted information for various funds of the county. The funds presented are established under statutory or administrative authority, and their operations are under the control of the County Commission, an elected county official, or the Health Center Board. The General Revenue Fund is the county's general operating fund, accounting for all financial resources except those required to be accounted for in another fund. The other funds presented account for financial resources whose use is restricted for specified purposes.

B. Basis of Accounting

The financial statements are prepared on the cash basis of accounting; accordingly, amounts are recognized when received or disbursed in cash. This basis of accounting differs from accounting principles generally accepted in the United States of America. Those principles require revenues to be recognized when they become available and measurable or when they are earned and expenditures or expenses to be recognized when the related liabilities are incurred.

C. Budgets and Budgetary Practices

The County Commission and other applicable boards are responsible for the preparation and approval of budgets for various county funds in accordance with Sections 50.525 through 50.745, RSMo 2000, the county budget law. These budgets are adopted on the cash basis of accounting.

Although adoption of a formal budget is required by law, the county did not adopt a formal budget for the Tax Maintenance Fund and the Drug Court Fund for the year ended December 31, 2002.

Section 50.740, RSMo 2000, prohibits expenditures in excess of the approved budgets. However, expenditures exceeded budgeted amounts for the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Prosecuting Attorney Training Fund	2002
Insurance Fund	2003
Adult Abuse Fund	2002
Prosecuting Attorney Bad Check Fund	2003
Sheriff Drug Fund	2003
Sheriff Civil Fund	2003
D.A.R.E. Fund	2003
Local Law Enforcement Block Grant Fund	2003
Tax Maintenance Fund	2003

D. Published Financial Statements

Under Sections 50.800 and 50.810, RSMo 2000, the County Commission is responsible for preparing and publishing in a local newspaper a detailed annual financial statement for the county. The financial statement is required to show receipts or revenues, disbursements or expenditures, and beginning and ending balances for each fund.

However, the county's published financial statements did not include the following funds:

<u>Fund</u>	<u>Years Ended December 31,</u>
Circuit Clerk Interest Fund	2003 and 2002
Law Library Fund	2003 and 2002
Tax Maintenance Fund	2003 and 2002
Drug Court Fund	2003 and 2002

2. Cash

Section 110.270, RSMo 2000, based on Article IV, Section 15, Missouri Constitution, authorizes counties to place their funds, either outright or by repurchase agreement, in U.S. Treasury and agency obligations. In addition, Section 30.950, RSMo 2000, requires political subdivisions with authority to invest in instruments other than depositary accounts at financial institutions to adopt a written investment policy. Among other things, the policy is to commit a political subdivision to the principles of safety, liquidity, and yield (in that order) when managing public funds and to prohibit purchase of derivatives (either directly or through repurchase agreements), use of leveraging (through either reverse repurchase agreements or other methods), and use of public funds for speculation. The county has adopted such a policy.

In accordance with Statement No. 3 of the Governmental Accounting Standards Board, *Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements*, disclosures are provided below regarding the risk of potential loss of cash deposits. For the purposes of these disclosures, deposits with financial institutions are demand, time, and savings accounts, including certificates of deposit and negotiable order of withdrawal accounts, in banks, savings institutions, and credit unions.

The county's deposits at December 31, 2003 and 2002, were entirely covered by federal depositary insurance or by collateral securities held by the county's custodial bank in the county's name.

The Health Center Board's deposits at December 31, 2003 and 2002, were entirely covered by federal depositary insurance or by collateral securities held by the board's custodial bank in the board's name.

Supplementary Schedule

Schedule

BENTON COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2003	2002
U. S. DEPARTMENT OF AGRICULTURE				
Passed through state				
Department of Health and Senior Services -				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	ERS045-2107	\$ 0	25,517
		ERS045-3107	30,281	8,965
		ERS045-4107	10,091	0
	Program total		<u>40,372</u>	<u>34,482</u>
U.S. DEPARTMENT OF JUSTICE				
Direct program:				
16.710	Public Safety Partnership and Community Policing Grant	N/A	84,920	0
Passed through:				
State Department of Public Safety				
16.540	Juvenile Justice and Delinquency Prevention - Allocation to States	N/A	1,670	0
16.575	Crime Victim Assistance	2000-VOCA-0102	24,482	4,277
16.592	Local Law Enforcement Block Grants Program	N/A	99	960
U. S. DEPARTMENT OF TRANSPORTATION				
Passed through state				
Highway and Transportation Commission				
20.205	Highway Planning and Construction	BRO-008(9)	0	277,710
		COE-008(1)	149,131	0
	Program total		<u>149,131</u>	<u>277,710</u>
Department of Public Safety				
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grant	N/A	5,920	0
GENERAL SERVICES ADMINISTRATION				
Passed through state Office of Administration				
39.003	Donation of Federal Surplus Personal Property	N/A	0	1,508
FEDERAL EMERGENCY MANAGEMENT AGENCY				
Passed through state Department of Public Safety				
83.552	Emergency Management Performance Grant	N/A	3,300	0

Schedule

BENTON COUNTY, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Federal CFDA Number	Federal Grantor/Pass-Through Grantor/Program Title	Pass-Through Entity Identifying Number	Federal Expenditures	
			Year Ended December 31,	
			2003	2002
U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through state				
Department of Health and Senior Services -				
93.197	Childhood Lead Poisoning Prevention Projects State and Local Childhood Lead Poisoning Preventio and Surveillance of Blood Lead Levels in Childre	ERS146-2107L	0	1,795
93.268	Immunization Grants	N/A	41,909	43,177
		PGA064-4107	4,350	3,780
	Program total		<u>46,259</u>	<u>46,957</u>
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistanc	DH030088001	6,356	3,631
Department of Social Services -				
93.563	Child Support Enforcemen	N/A	0	250
Department of Health and Senior Services -				
93.575	Child Care and Development Block Gran	PGA067-4107S	2,280	2,150
Department of Social Services -				
93.667	Social Services Block Gran	N/A	2,247	5,148
Department of Health and Senior Services				
93.919	Cooperative Agreements for State-Base Comprehensive Breast and Cervical Cance Early Detection Programs	ERS161-20048	0	6,773
93.991	Preventive Health and Health Services Block Gran	DH030034001	13,750	33,592
93.994	Maternal and Child Health Services Block Grant to the States	ERS146-3107M	17,904	17,201
		N/A	386	394
	Program total		<u>18,290</u>	<u>17,595</u>
	Total Expenditures of Federal Award:		<u>\$ 399,076</u>	<u>436,828</u>

N/A - Not applicable

The accompanying Notes to the Supplementary Schedule are an integral part of this schedule.

Notes to the Supplementary Schedule

BENTON COUNTY, MISSOURI
NOTES TO THE SUPPLEMENTARY SCHEDULE

1. Summary of Significant Accounting Policies

A. Purpose of Schedule and Reporting Entity

The accompanying Schedule of Expenditures of Federal Awards has been prepared to comply with the requirements of OMB Circular A-133. This circular requires a schedule that provides total federal awards expended for each federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available.

The schedule includes all federal awards administered by Benton County, Missouri.

B. Basis of Presentation

OMB Circular A-133 includes these definitions, which govern the contents of the schedule:

Federal financial assistance means assistance that non-Federal entities receive or administer in the form of grants, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance, but does not include amounts received as reimbursement for services rendered to individuals. . . .

Federal award means Federal financial assistance and Federal cost-reimbursement contracts that non-Federal entities receive directly from Federal awarding agencies or indirectly from pass-through entities. It does not include procurement contracts, under grants or contracts, used to buy goods or services from vendors.

Accordingly, the schedule includes expenditures of both cash and noncash awards.

C. Basis of Accounting

Except as noted below, the schedule is presented on the cash basis of accounting, which recognizes amounts only when disbursed in cash.

Amounts for the Donation of Federal Surplus Property Program (CFDA number 39.003) represent the estimated fair market value of the property at the time of receipt. Additionally, amounts for Immunization Grants (CFDA number 93.268) and the Maternal and Child Health Services Block Grant to the States (CFDA number

93.994) include both cash disbursements and the original acquisition cost of vaccines obtained by the Health Center through the state Department of Health and Senior Services.

2. Subrecipients

The county provided no federal awards to subrecipients during the years ended December 31, 2003 and 2002.

FEDERAL AWARDS -
SINGLE AUDIT SECTION

State Auditor's Report



CLAIRE C. McCASKILL
Missouri State Auditor

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the County Commission
and
Officeholders of Benton County, Missouri

Compliance

We have audited the compliance of Benton County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2003 and 2002. The county's major federal program is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the county's management. Our responsibility is to express an opinion on the county's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the county's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the county's compliance with those requirements.

In our opinion, Benton County, Missouri, complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended December 31, 2003 and 2002.

Internal Control Over Compliance

The management of Benton County, Missouri, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the county's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of the management of Benton County, Missouri; federal awarding agencies and pass-through entities; and other applicable government officials. However, pursuant to Section 29.270, RSMo 2000, this report is a matter of public record and its distribution is not limited.

A handwritten signature in black ink, reading "Claire McCaskill". The signature is fluid and cursive, with the first name "Claire" and last name "McCaskill" clearly distinguishable.

Claire McCaskill
State Auditor

April 15, 2004 (fieldwork completion date)

Schedule

BENTON COUNTY, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(INCLUDING MANAGEMENT'S PLAN FOR CORRECTIVE ACTION)
YEARS ENDED DECEMBER 31, 2003 AND 2002

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? yes x no

Reportable conditions identified that are
not considered to be material weaknesses? yes x none reported

Noncompliance material to the financial statements
noted? yes x no

Federal Awards

Internal control over major program:

Material weaknesses identified? yes x no

Reportable conditions identified that are
not considered to be material weaknesses? yes x none reported

Type of auditor's report issued on compliance for
major program: Unqualified

Any audit findings disclosed that are required to be
reported in accordance with Section .510(a) of OMB
Circular A-133? yes x no

Identification of major program:

CFDA or Other Identifying Number	<u>Program Title</u>
20.205	Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as a low-risk auditee?

_____ yes x no

Section II - Financial Statement Findings

This section includes no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Section III - Federal Award Findings and Questioned Costs

This section includes no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

Follow-Up on Prior Audit Findings for an
Audit of Financial Statements Performed in Accordance
With *Government Auditing Standards*

BENTON COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS FOR AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

The prior audit report issued for the two years ended December 31, 2001, included no audit findings that *Government Auditing Standards* requires to be reported for an audit of financial statements.

Summary Schedule of Prior Audit Findings
in Accordance With OMB Circular A-133

BENTON COUNTY, MISSOURI
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
IN ACCORDANCE WITH OMB CIRCULAR A-133

Section .315 of OMB Circular A-133 requires the auditee to prepare a Summary Schedule of Prior Audit Findings to report the status of all findings that are relative to federal awards and included in the prior audit report's Schedule of Findings and Questioned Costs. The summary schedule also must include findings reported in the prior audit's Summary Schedule of Prior Audit Findings, except those listed as corrected, no longer valid, or not warranting further action.

Section .500(e) of OMB Circular A-133 requires the auditor to follow up on these prior audit findings; to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings; and to report, as a current year finding, when the auditor concludes that the schedule materially misrepresents the status of any prior findings.

The prior audit report issued for the two years ended December 31, 2001, included no audit findings that Section .510(a) of OMB Circular A-133 requires to be reported for an audit of federal awards.

MANAGEMENT ADVISORY REPORT SECTION

Management Advisory Report -
State Auditor's Findings

BENTON COUNTY, MISSOURI
MANAGEMENT ADVISORY REPORT -
STATE AUDITOR'S FINDINGS

We have audited the financial statements of various funds of Benton County, Missouri, as of and for the years ended December 31, 2003 and 2002, and have issued our report thereon dated April 15, 2004. We also have audited the compliance of Benton County, Missouri, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended December 31, 2003 and 2002, and have issued our report thereon dated April 15, 2004.

In addition, we have audited the operations of elected officials with funds other than those presented in the financial statements to comply with the State Auditor's responsibility under Section 29.230, RSMo 2000, to audit county officials at least once every 4 years. The objectives of this audit were to:

1. Review the internal controls over the transactions of the various county officials.
2. Review compliance with certain legal provisions.

Our methodology to accomplish these objectives included reviewing accounting and bank records and other pertinent documents; interviewing various personnel of the county officials, as well as certain external parties; and testing selected transactions.

In addition, we obtained an understanding of internal controls significant to the audit objectives and considered whether specific controls have been properly designed and placed in operation. However, providing an opinion on internal controls was not an objective of our audit and accordingly, we do not express such an opinion.

We also obtained an understanding of legal provisions significant to the audit objectives, and we assessed the risk that illegal acts, including fraud, and violations of contract, grant agreement, or other legal provisions could occur. Based on that risk assessment, we designed and performed procedures to provide reasonable assurance of detecting significant instances of noncompliance with the provisions. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion.

Our audit was conducted in accordance with applicable standards contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and included such procedures as we considered necessary in the circumstances.

This Management Advisory Report (MAR) presents any findings arising from our audit of the elected county officials referred to above. In addition, this report includes any findings other than those, if any, reported in the accompanying Schedule of Findings and Questioned Costs. These MAR findings resulted from our audit of the financial statements of Benton County or of its compliance with the types of compliance requirements applicable to its major federal program but do

not meet the criteria for inclusion in the written reports on compliance and on internal control over financial reporting or compliance that are required for audits performed in accordance with *Government Auditing Standards* and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

1. Financial Condition

The county's General Revenue Fund is experiencing a declining cash balance. During the last several years the county has experienced significant growth in the receipts and disbursements of the General Revenue Fund. Despite the growth in receipts, the county has spent more than it received during the last two years and projects a similar situation during 2004, resulting in a decline of the cash balance. The following chart shows the General Revenue Fund's receipts, disbursements, and cash balances for the six years ended December 31, 2003, as well as estimates for the year ended December 31, 2004:

		2004						
		Estimated	2003	2002	2001	2000	1999	1998
Beginning Cash, January 1	\$	182,736	262,253	323,440	253,617	236,016	221,860	184,401
Receipts		1,836,612	1,729,013	1,663,228	1,636,833	1,469,980	1,443,623	1,409,856
Disbursements		(2,018,548)	(1,808,530)	(1,724,415)	(1,567,010)	(1,452,379)	(1,429,467)	(1,372,397)
Ending Cash, December 31	\$	800	182,736	262,253	323,440	253,617	236,016	221,860
Receipts Over (Under)								
Disbursements	\$	(181,936)	(79,517)	(61,187)	69,823	17,601	14,156	37,459

As shown in the above chart, the General Revenue Fund 2004 budget document (amended in August 2004) projects a \$800 year-end cash balance. While receipts have continued to grow from year to year, the increases have not kept pace with the increasing disbursements. One possible reason for this is that sales taxes, which make up about one third of the General Revenue Fund budget, decreased by a small amount between 2002 and 2003. Also, the county has not obtained additional revenues to offset some of the increased disbursements discussed below.

Contributing to the increasing level of disbursements were various items such as the growing cost of employee health insurance premiums and other fringe benefits, and county official salary increases (salary increases approved by the county salary commission took effect in 1999 and 2001, the Public Administrator elected to be paid on a salary rather than a fee basis beginning in 2001, and the Prosecuting Attorney became full-time in 2003). There have also been continued increases in some required or essential areas, including the jail operation, elections, and court administration. We also noted expenses totaling approximately \$2,500 for catered dinners for county employees and their families during the two years ended December 31, 2003, to honor employees for their years of service. These disbursements are

discretionary and do not appear necessary to the operations of the county, and do not appear to be a prudent use of public monies especially given these financial condition concerns.

The County Commission is aware of this problem and has made efforts during the audit period to control health insurance costs by changing insurance carriers. In addition, the County Commission is preparing quarterly budget reports and memos to inform other county officials of the status of the General Revenue Fund receipts, disbursements, and cash balance.

The County Commission should continue to review discretionary disbursements to ensure available county resources are used efficiently and effectively and to determine if long term reductions in disbursements are possible. In addition, the County Commission should ensure it maximizes receipts from all sources.

WE RECOMMEND the County Commission continue to closely monitor the county's financial condition and consider various alternatives of increasing receipts and/or reducing disbursements of the General Revenue Fund.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We are presently and will continue to closely monitor our financial condition. As discussed above, there are reasons for the declining financial condition. We are monitoring fund balances monthly and providing this information and quarterly reports to the county officials. We made reductions in the county's 2004 budget for discretionary spending.

2. Excess Expenditures

The various county officials did not properly monitor budget and actual expenditures. Actual expenditures exceeded budgeted amounts in the following funds:

Fund	Year Ended December 31,	
	2003	2002
Prosecuting Attorney Training	\$ N/A	207
Insurance	18,969	N/A
Adult Abuse	N/A	189
Prosecuting Attorney Bad Check	2,826	N/A
Sheriff Drug	7	N/A
Sheriff Civil	1,973	N/A
D.A.R.E.	1,096	N/A
Local Law Enforcement Block Grant	3	N/A
Tax Maintenance	6,483	N/A

The County Commission periodically reviews budget progress reports for all budgeted funds and also provides officeholders with a periodic status report of the General Revenue Fund. While the County Commission amended the budgets for several funds during the two years ended December 31, 2003, the budgets for most of the funds noted above were not amended. Although the Tax Maintenance Fund is in the custody of another official who administers the transactions of that fund, the County Commission should require periodic budget progress reports from that official. Better monitoring of disbursements by the County Commission is needed to ensure expenditures do not exceed budgeted amounts.

It was ruled in State ex rel. Strong v. Cribb, 364 Mo. 1122, 273 S.W. 2d 246 (1954) that strict compliance with the county budget law is required by county officials. If there are valid reasons which necessitate excess expenditures, budget amendments should be made following the same process by which the annual budget is approved, including holding public hearings and filing the amended budget with the State Auditor's office.

WE RECOMMEND the County Commission not authorize warrants in excess of budgeted expenditures. Extenuating circumstances should be fully documented and, if necessary, the budgets properly amended and filed per state law.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We will continue to work on this area and will more closely monitor expenditures in the final quarter of the year.

3. E911 Building Project

In April 2002, Benton County voters approved a three-eighths cent county-wide sales tax for providing law enforcement, central dispatching of fire protection, emergency ambulance, and emergency telephone services (E911). We noted concerns with the documentation maintained for selection of an architect and the bidding process to select a contractor for construction of an E911 center.

- A. In March 2003, the county hired an architect to design and administer the construction of a building to house the E911 operations. Although the County Commission meeting minutes indicated various firms were interviewed and identified the firm eventually selected, the criteria used to evaluate the various firms and selection procedures was not adequately documented by the county. Section 8.289, RSMo 2000, requires the county to evaluate the qualifications of the firms by considering the specialized experience and technical competence of the firms, the capacity and capability of the firms to perform the work, the past record of performance of the firms, and the firm's proximity to and familiarity with the area. The county retained the resumes submitted by the five firms and the Presiding

County Commissioner indicated the county considered the experience, references, and staff qualifications of the architects in making its award decision. The County Commission should document the criteria used and basis for selection either as part of the County Commission meeting minutes or in separate documents referred to in the minutes to provide complete documentation of its efforts to obtain quality services at a reasonable price and demonstrate compliance with state law.

- B. In December 2003, the county hired a contractor to construct the E911 center for approximately \$609,000. The county did not solicit new or modified construction bids for significant building design changes made after bids on the original design were opened. Upon reviewing the initial construction bids on December 1, 2003, it was determined that all the bids were substantially higher than the architect's cost estimate. The architect estimated construction costs to total about \$448,000. The initial bids received by the county totaled \$699,540, \$699,915, \$732,500, and \$759,700. Rather than rejecting all bids and re-bidding the project, the County Commission instructed the architect to work with the company that provided the lowest initial bid to determine why the bids were so much over the cost estimates. Subsequently, the architect and that company provided design modifications that reduced the total price about \$91,000. The county accepted the proposed changes and executed a contract with that company. The Presiding County Commissioner indicated the county did not revise its specifications and solicit bids again because the time required to complete this process would delay implementation of the E911 operation. Section 50.660, RSMo 2000, requires bids on all purchases of \$4,500 or more from any one person, firm or corporation during any period of ninety days. Because it precluded other vendors from bidding on the design changes, the county did not fully comply with the competitive procurement process required by state law. Additionally, the county may have achieved a lower price by allowing other parties to bid on the redesigned project.

WE RECOMMEND the County Commission:

- A. Maintain documentation in the meeting minutes of criteria considered in awarding contracts.
- B. Consider soliciting bids on significant design changes when necessary on future construction projects.

AUDITEE'S RESPONSE

The County Commission provided the following responses:

- A. *We believe our decisions were sound, but will better document criteria and decisions for future projects.*
- B. *We understand the concern and will comply with the recommendation.*

In 1999, mid-term raises were given to the Associate Commissioners.

Senate Bill No. 11 (SB 11), effective August 28, 1997, amended numerous statutory sections relating to the compensation of county officials, including increases to the statutory maximum salaries allowed. As a part of this legislation, Section 50.333.13, RSMo, allowed salary commissions meeting in 1997 to provide mid-term salary increases for associate county commissioners elected in 1996. The motivation behind this amendment was the fact that associate county commissioners' terms had been increased from two years to four years.

On May 15, 2001, the Missouri Supreme Court handed down an opinion in a case that challenged the validity of that statute. The Supreme Court held that this section of statute violated Article VII, section 13 of the Missouri Constitution, which specifically prohibits an increase in compensation for state, county, and municipal officers during the term of office. This case, *Laclede County v. Douglass et al.*, holds that all raises given pursuant to this statute section are unconstitutional. On June 5, 2001, the State Auditor notified all third-class counties of the Supreme Court decision and recommended that each county document its review of the impact of the opinion, as well as plans to seek repayment. However, the county has not documented its review of the impact of the Supreme Court decision

In 1999, each of the Associate Commissioners salaries was increased \$9,986. The Benton County Salary Commission minutes did not specifically address the provisions of Section 50.333.13, RSMo, but did provide that all officials taking office in 1999 would receive 100 percent of the maximum salaries. Prior to 1999, these officials were compensated at less than 100 percent of the statutory maximums. In a December 1997 written opinion the Prosecuting Attorney concluded the Associate Commissioners were not eligible for a salary increase in January 1999 due to the wording of the motion during the 1997 salary commission meeting. However, in February 1999, the Prosecuting Attorney reconsidered that opinion and concluded that salary increases provided to the Associate Commissioners were allowable in that it clearly appeared to be contemplated by the salary commission that the Associate Commissioners' raises would go into effect on January 1, 1999. The increase in the Associate Commissioners' salaries was calculated based upon the salary scale provided in SB 11. By using the salary schedules from the 1998 statutes (those changed by SB 11) and increasing the percentage of the maximum, mid-term raises were in effect granted to the Associate Commissioners that had been elected in 1996.

In light of the Supreme Court ruling, the raises given to each of the Associate Commissioners, totaling \$19,972 for two years ended December 31, 2000, should be repaid.

WE RECOMMEND the County Commission review the impact of this court decision and develop a plan for obtaining repayment of any salary overpayments.

AUDITEE'S RESPONSE

The County Commission provided the following response:

We will consult again with the Prosecuting Attorney regarding this issue. The Associate Commissioners can then consider and assess their responsibilities. A determination will be made regarding this recommendation.

The Prosecuting Attorney provided the following response:

The state legislature provided for these raises and the county's salary commission clearly intended for the Associate Commissioners to be included in raises taking effect on January 1, 1999.

5. County Treasurer's Controls and Procedures

The County Treasurer did not prepare proper bank reconciliations, maintain a listing of liabilities for the Land Tax Sale Overplus Fund, or prepare semiannual settlements.

- A. Monthly bank reconciliations have not been properly prepared or documented. The County Treasurer indicated he reviews the bank statements and compares his receipts to bank statement deposits. An employee in the County Clerk's office prepares a monthly listing of outstanding checks. However, neither the County Treasurer nor the County Clerk's office staff document a reconciliation of the total bank balances to the total fund balances. Although the former county treasurer indicated a December 2002 reconciliation was performed, it could not be located. Our comparison showed that bank account balances (adjusted for the outstanding checks, unrecorded interest earnings, and other miscellaneous items) exceeded total fund balances by varying amounts at both December 31, 2002 and 2003. Complete and properly documented reconciliations between the bank balances and the fund ledger balances are necessary to ensure all monies have been accounted for properly.
- B. No monies have been distributed from the Land Tax Sale Overplus Fund to various school districts since late 2002. A review of the County Collector's land tax sales records indicated that at least \$5,300 of the \$110,863 fund balance as of December 31, 2003, has been held in excess of three years. Section 140.230, RSMo Supp. 2003, requires surplus monies from land tax sales be held by the treasurer for a period of three years. At that time the monies shall be distributed to the various school districts within the county. No record was available in the County Treasurer's office that would identify the length of time monies had been held and when distribution would be appropriate. The County Treasurer should prepare a liability listing and distribute the amounts due the school districts each year, as applicable.
- C. The County Treasurer has prepared no semiannual settlements since taking office in January 2003. Apparently semiannual settlements have not been prepared in recent

years. The former county treasurer indicated such reporting did not provide any additional benefit beyond the monthly reporting and reconciliation procedures in place between her office and the county clerk. Section 54.150, RSMo 2000, requires the County Treasurer to settle accounts with the County Commission semiannually.

WE RECOMMEND the County Treasurer:

- A. Prepare and document proper monthly bank reconciliations.
- B. Disburse \$5,300 from the Land Tax Sale Overplus fund to the school districts, maintain a liability listing for the Land Tax Sale Overplus Fund, and ensure distributions from the fund are made on a timely basis.
- C. Prepare settlements semiannually as required by law.

AUDITEE'S RESPONSE

The County Treasurer provided the following responses:

- A. *Monthly bank reconciliations had not been completed at the time I assumed office in January 2003. After tracking the balances for the first half of 2003, six of the accounts have been reconciled monthly with the bank. The main account was reconciled with the County Clerk throughout 2003, as per instructions from the State Auditor's office. I am currently in the process of reconciling the main account monthly with the bank also.*
- B. *Since becoming aware that the overplus funds distribution was the responsibility of this office, the amount of monies to be distributed for the year of 2003 has been totaled and will be distributed to the schools in the month of September. The County Clerk and I have set up an annual schedule to track and distribute these monies.*
- C. *I am in the process of preparing the semiannual settlement at this time. It has been delayed due to a coding problem that occurred at the bank at the beginning of the year and an internal programming problem that occurred in March of this year. It is anticipated that the year-end settlement will be submitted on time.*

6. County Collector's Controls and Settlements

The County Collector does not properly reconcile his accounts, follow-up on old outstanding checks, distribute interest timely, distribute surtax properly, monitor the pledged collateral securities on his bank accounts, or prepare accurate and timely annual settlements. Many of these conditions have been noted in previous audits but have not been corrected although the County Collector indicated in the previous audit he would take actions to implement most of the recommendations.

The County Collector's office processed property taxes totaling about \$9.0 million and \$8.6 million during the years ended February 28(29), 2004 and 2003, respectively.

- A. The County Collector does not prepare timely bank reconciliations and does not reconcile the bank balances to liabilities. As of February 2004, bank reconciliations had not been completed for five months. A comparison of the September 30, 2003, reconciled bank balance to liabilities showed total liabilities exceeded the reconciled cash balance by about \$5,100 as follows:

Total reconciled bank balances	\$ 68,679
Less: September 2003 tax collections	33,200
Undistributed interest earnings	32,524
Amounts due to various taxpayers for overpayments	<u>8,055</u>
Total liabilities	<u>73,779</u>
Total liabilities over total reconciled bank balances	<u>\$ (5,100)</u>

The County Collector could not explain the account shortage. The County Collector has recently prepared current bank reconciliations but still does not compare his cash balances to liabilities.

Timely bank reconciliations and identification of month-end liabilities are necessary to ensure all receipts and disbursement are properly accounted for, that cash in the bank is adequate to meet liabilities and that there is no unidentified excess or shortage in the account.

- B. The County Collector does not adequately follow up on checks that are outstanding for a considerable time. In June 2003, the County Collector removed 34 checks, which had been outstanding in excess of a year and totaled approximately \$8,055, from his outstanding check list and increased the cash balance in his records accordingly. According to the County Collector these checks were due to various taxpayers for reimbursement of property tax overpayments. He did not attempt to locate the payees or reissue the checks and had no plans to turn over the items as unclaimed property. Procedures should be adopted to routinely follow up on old outstanding checks. Various statutory provisions provide for the disposition of unclaimed monies.
- C. The County Collector continues to distribute surtax collections using percentages calculated for distributing the 1985 collections and has not recalculated the surtax distribution percentages each year as required by state law. Surtax collections are to be distributed to various political subdivisions based on percentages derived from a combination of the 1984 merchants' and manufacturers' taxes paid and the current assessed valuation for subclass 3 commercial property for each year compared to the 1985 valuation. Section 139.600, RSMo 2000, outlines the procedures to be followed to calculate the percentages for the first and each succeeding year the surtax is imposed.

- D. The County Collector provides property tax collection services for the cities of Warsaw, Cole Camp, and Ionia. He withholds a 4 percent commission from city tax collections for Warsaw and a 1 percent commission from city tax collections for Cole Camp and Ionia. These commissions are allocated equally to the County Collector and county's General Revenue Fund. A 7 percent additional commission paid by the taxpayer is applied to delinquent city tax collections. This additional commission is allocated 3 percent to the County Employees Retirement Fund, 2 percent to the County Collector, and 2 percent to the Tax Maintenance Fund. The County Collector received commissions totaling \$8,658 for these services for the four years ended February 28, 2004. The County Collector has no written agreements with Warsaw for these services. The written agreements with Cole Camp and Ionia were executed in 1986 and 1989, respectively.

Section 50.332, RSMo 2000, allows county officials, with the approval of the county commission, to perform services for cities that they normally provide to the county for additional compensation. Section 432.070, RSMo 2000, requires all such contracts be in writing. Current written contracts, signed by the city, the County Collector, and the County Commission should be prepared.

- E. The County Collector has not distributed the interest earned on bank deposits on a timely basis. Interest earned from March 2000 through February 2004, totaling in excess of \$36,000, has not been distributed. Interest earnings should be distributed at least annually to county funds and taxing entities to allow for the proper current or future use of those monies.
- F. The County Collector does not adequately monitor some bank account balances for sufficiency of pledged collateral securities or commercial insurance. While the County Collector's primary bank account is covered under the county's depository agreement, for another bank account no securities were pledged and the bank balance exceeded FDIC coverage by about \$800,000 during January 2004. After we brought this situation to the attention of the bank and the County Collector, the bank issued a \$900,000 letter of credit in February 2004 to secure the County Collector's deposits.

Section 110.020, RSMo 2000, provides the value of the securities pledged shall at all times be not less than 100 percent of the actual amount of deposit less the amount insured by the FDIC. Inadequate collateral securities leave property tax collections unsecured and subject to loss in the event of a bank failure.

- G. The County Collector's annual settlements were inaccurate and untimely.
1. The County Collector does not file annual settlements with the County Commission on a timely basis. The County Collector filed the annual settlements for each of the years ended February 28, 2003, and February 28, 2002, on April 18, 2003. The annual settlement for the year ended February 29, 2004, has not been filed as of July 2004. Section 139.160, RSMo 2000,

requires the annual settlement to be filed with the County Commission by the first Monday in March. The County Collector needs to make a greater effort to ensure his annual settlements are filed as required.

2. Various errors and omissions occurred in the annual settlements filed for the years ended February 28, 2003, 2002, and 2001. For example, total distributions exceeded collections by about \$592,000 on the settlement for the year ended February 28, 2002. Similar though less significant differences between collections and distributions were present on the other settlements.
3. The County Commission does not review the annual settlements prepared by the County Collector. The County Clerk maintains an account book in which she records the monthly collections reported by the County Collector, but neither she nor the County Commission use the account book to verify the annual settlements of the County Collector. A review of the annual settlements is necessary to detect errors and omissions in the settlements.

WE RECOMMEND the County Collector:

- A. Prepare monthly bank reconciliations and reconcile the cash balance to listings of liabilities.
- B. Attempt to locate the payees of the old outstanding checks and reissue checks if possible. Any remaining unclaimed amounts should be disbursed in accordance with state law.
- C. Ensure future distributions of surtax collections take into consideration the current year's assessed valuation of subclass 3 commercial property for each political subdivision as required by state law.
- D. Work with the County Commission to obtain current written agreements with the cities for tax collections.
- E. Allocate interest earned on bank deposits in a timely manner.
- F. Monitor and ensure adequate collateral securities are pledged by the depository banks for all funds on deposit in excess of FDIC coverage.
- G. File complete and accurate annual settlements on a more timely basis. In addition, the County Commission should use the account book to verify the annual settlements of the County Collector.

AUDITEE'S RESPONSE

The County Collector provided the following responses:

- A. I will make an effort to do more timely reconciliations and attempt to reconcile to liabilities.*
- B. I will attempt to adopt follow-up procedures and disburse unclaimed items in accordance with state law.*
- C. I do not plan to change surtax distribution procedures.*
- D. The arrangement with the city of Warsaw has been in place for more than 20 years. I do not plan to change the arrangement or obtain a written agreement. No party to this arrangement or any other city agreements have expressed any concerns or interest in updating the arrangement and/or agreements.*
- E. I have calculated the interest allocation amounts and will make the distributions before November 2004.*
- F. I will talk to the banks and with them monitor the balances for adequate collateral.*
- G. I will do a better job on the next annual settlement and attempt to complete settlements sooner in the future.*

The County Commission provided the following response:

- G. We will ask the County Collector to prepare his annual settlements timely and we will review the settlements.*

7. Sheriff's Accounting Controls

The Sheriff has not provided for a proper segregation of recordkeeping duties, the identification of liabilities, and timely deposits. The Sheriff's office receives monies for civil and criminal fees, gun permits, bonds, and other miscellaneous receipts, and handled receipts totaling approximately \$136,000 and \$120,000 during the years ended December 31, 2003 and 2002, respectively.

- A. Accounting and bookkeeping duties are not adequately segregated. The bookkeeper performs the duties of receiving, recording, depositing, and disbursing for the Sheriff's bank account. Proper segregation of duties helps ensure that all transactions are accounted for properly and assets are adequately safeguarded. Internal controls would be improved by segregating the duties of receiving and depositing receipts from recording and reconciling receipts. If proper segregation of duties cannot be*

achieved, at a minimum, a periodic supervisory review of the records should be performed and documented.

- B. Monthly listings of open items (liabilities) are not prepared and reconciled to the cash balance. An open items listing prepared as of December 31, 2003, at our request, indicated the account balance totaling \$5,082 exceeded identified open items by about \$200.

Monthly listings of open items should be prepared and reconciled to the cash balance to ensure records are in balance, errors are detected and corrected on a timely basis, and sufficient cash is available to meet liabilities. The Sheriff should attempt to identify all open items. Any monies remaining unidentified should be disposed of in accordance with state law.

- C. Receipts are not deposited on a timely basis. The Sheriff's bookkeeper usually makes about four deposits monthly. We reviewed two deposits in January 2004 and noted the deposits contained receipts totaling about \$2,300 and \$800 that were held one week or more before the deposit. A significant portion of the monies deposited was cash.

To adequately safeguard receipts and reduce the risk of loss, theft, or misuse of funds, deposits should be made intact daily or when accumulated receipts exceed \$100.

WE RECOMMEND the Sheriff:

- A. Segregate accounting and bookkeeping duties to the extent possible, or at a minimum, perform and document periodic reviews of the work performed.
- B. Prepare monthly listings of open items and reconcile the listings to the cash balance. Differences should be investigated and any monies remaining unidentified should be disposed of in accordance with state law.
- C. Deposit receipts intact daily or when accumulated receipts exceed \$100.

AUDITEE'S RESPONSE

The Sheriff provided the following responses:

A&B. These recommendations will be implemented as soon as possible.

C. This has already been implemented.

The Health Center's budget document did not adequately project the anticipated financial position for the Health Center Fund. The Health Center Board estimated the ending cash balance at December 31, 2003 and 2002, to be zero while actual ending cash balances at December 31, 2003 and 2002, were \$1,130,631 and \$903,575, respectively. The Board has routinely appropriated its excess cash reserves resulting in an overestimation of total expenditures and underestimation of the ending cash balance. The Health Center administrator indicated the Health Center's Board of Directors is accumulating a cash reserve in an attempt to allow for possible, but not specifically identified, contingencies.

Prudent fiscal management of Health Center funds should include setting aside reasonable, but not excessive, amounts of operating reserves to be used in future years or to be available for emergencies. While it appears the Health Center Board's intent is to keep sufficient reserves; the current budgets do not effectively inform county residents of this intent. Such intent would be more properly communicated to county residents through a formal reserve of the fund balance.

The practice of overestimating expenditures results in an inaccurate statement of the Health Center's financial position. The practice of routinely budgeting to spend significantly more resources than truly intended decreases the effectiveness of the budget as a management planning tool and as a control over expenditures.

WE RECOMMEND the Health Center Board of Directors prepare reasonable estimates of disbursements so that projected reserves are more properly presented in the annual budgets. If the Board desires to build up reserves for future specific needs, this information should be documented in the budget.

AUDITEE'S RESPONSE

The Health Center Administrator provided the following response:

The board will more reasonably estimate disbursements. They will designate a portion of funds for a reserve and identify this on the budget, and will also note plans for future capital improvements on the budget.

Follow-Up on Prior Audit Findings

BENTON COUNTY, MISSOURI
FOLLOW-UP ON PRIOR AUDIT FINDINGS

In accordance with *Government Auditing Standards*, this section reports the auditor's follow-up on action taken by Benton County, Missouri, on findings in the Management Advisory Report (MAR) of the audit report issued for the two years ended December 31, 1999.

The prior recommendations which have not been implemented, but are considered significant, are repeated in the current MAR. Although the remaining unimplemented recommendations are not repeated, the county should consider implementing those recommendations.

1. Budgetary Practices, Expenditures and Interest Allocation

- A. Budgets were not prepared for several county funds.
- B. Actual expenditures exceeded budgeted amounts in several funds.
- C. Budgets prepared for the Special Road and Bridge Fund did not include all projected receipts, disbursements and cash balances related to County Aid Road Trust (CART) monies received from the state.
- D. The county and Health Center did not have procedures in place to track federal awards for the preparation of the Schedule of Expenditures of Federal Awards (SEFA). The SEFA contained numerous errors and omissions.
- E. The County Commission did not review the bid documentation obtained by the Sheriff for law enforcement related purchases. Several sheriff's department purchases were not bid in accordance with statutory requirements.
- F. The County Treasurer did not allocate interest earned to the Capital Improvement Sales Tax Fund or the Sheriff Drug Fund.

Recommendation:

- A. The County Commission ensure budgets are prepared or obtained for all county funds in accordance with state law.
- B. The County Commission not authorize warrants in excess of budgeted expenditures. Extenuating circumstances should be fully documented and, if necessary, the budgets properly amended and filed per state law.
- C. The County Commission ensure all CART activity is appropriately included in the annual Special Road and Bridge Fund budget.

- D. The County Clerk, with the assistance of the Health Center, ensure the completeness and accuracy of the schedule of expenditures of federal awards.
- E. The County Commission ensure bids are solicited for all items in accordance with state law. Documentation of bids solicited by the Sheriff and justification for bids awarded should be reviewed by the County Commission and appropriately retained. If it is not practical to obtain bids in a specific instance, the circumstances should be thoroughly documented.
- F. The County Treasurer include the Capital Improvement Sales Tax Fund, the Sheriff Drug Fund and any other funds required to retain interest earned on balances or with significant cash balances in future monthly interest allocations.

Status:

A&F. Implemented.

- B. Not implemented. See MAR finding number 2.
- C. Partially implemented. Receipts, disbursements, and cash balances related to CART monies are included in the budgets of the Special Road and Bridge Fund except for December CART receipts, which are held in an unbudgeted fund at each year end. Although not repeated in the current MAR, our recommendation remains as stated above.
- D. Partially implemented. The schedule of expenditures of federal awards prepared by the County Clerk for the years ended December 31, 2003 and 2002, contained few errors and omissions. Although not repeated in the current MAR, our recommendation remains as stated above.
- E. Partially implemented. We noted no instances where county purchases lacked appropriate bidding. However, the County Commission still does not review the bids solicited by the Sheriff and his justifications for bids awarded. Although not repeated in the current MAR, the County Commission should review and approve the bids solicited by the Sheriff and his justification for bids awarded.

2. County Collector's Accounting Controls and Procedures

- A. Bank reconciliations were not performed on a timely basis and monthly listings of liabilities were not prepared and reconciled to cash balances.
- B. One bank deposit was apparently lost. Consequently, the bank account was \$1,348 short. The County Collector had not followed up on the lost deposit.

- C. The County Collector improperly distributed amounts received from the State Department of Conservation as payments in lieu of taxes (PILT) to the General Revenue Fund and did not correct similar improper distributions from the prior audit. As a result, at least \$12,000 was due to various political subdivisions from the General Revenue Fund.
- D. The 1999 and 1998 surtax collections were distributed by the County Collector using percentages calculated for distributing the 1985 collections.
- E. The County Collector provided property tax collection services to the city of Warsaw without a written agreement and collected an additional commission in excess of the commission allowed by state law for collections of delinquent taxes for that city.
- F. The County Collector did not file annual settlements with the County Commission on a timely basis and unexplained differences existed between collections and distributions reported on one annual settlement.

Recommendation:

- A. The County Collector perform monthly bank reconciliations on a timely basis, prepare monthly listings of liabilities and reconcile the listings to the reconciled bank balance.
- B. The County Collector follow up on future deposit problems in a timely manner. He should attempt to obtain replacement checks on lost tax payments and personally repay any uncollected amounts to his official bank account.
- C. The County Collector recompute the PILT distribution for amounts improperly distributed in the current and prior audit period and ensure the appropriate amounts are distributed to the appropriate political subdivisions. In addition, future PILT payments received from the Department of Conservation should be distributed in accordance with the Missouri Constitution.
- D. The County Collector ensure future distributions of surtax collections take into consideration the current years assessed valuation of subclass 3 commercial property for each political subdivision as required by state law.
- E. The County Collector and County Commission obtain a written agreement with all cities for tax collections. The contracts should specifically define the amount of penalties to be collected on delinquent city taxes and how the penalties are to be distributed. The penalty amounts should be based on applicable state law or local ordinance.
- F. The County Collector file complete and accurate annual settlements on a more timely basis.

Status:

A,D,

E&F. Not implemented. See MAR finding number 6.

B. Implemented. The County Collector reimbursed the bank account for the \$1,348 shortage with personal monies.

C. Partially implemented. Beginning in 2000, the County Collector distributes PILT payments from the Department of Conservation to the appropriate political subdivisions, however, no adjustments were made for past improper distributions. Although not repeated in the current MAR, our recommendations remains as stated above.

3. Circuit Clerk's Accounting Controls and Procedures

A. A complete open items listing was not prepared. At February 29, 2000, the open items listing was approximately \$28,000 less than the cash balance.

B. The Circuit Clerk maintained an inactive account with sixty-six checks totaling \$5,267 that were outstanding for more than one year.

Recommendation:

The Circuit Clerk:

A. Reconcile the monthly listing of open items to the cash balance. Any unidentified monies should be disposed of in accordance with state law.

B. Establish procedures to investigate checks outstanding for a considerable amount of time. Any remaining unclaimed monies should be disposed of in accordance with state law.

Status:

A&B. Implemented.

4. Sheriff's Accounting Controls and Procedures

A. Monthly listings of open items were not reconciled with the cash balance of the Sheriff's account and the open items listing included bonds that had been held for more than one year.

B. Receipts were not deposited on a timely basis.

- C. The Sheriff had not established a formal policy for follow up collection efforts for unpaid incarceration billings. Copies of billings were not marked paid when payments were received and a separate ledger tracking billings and collections was not maintained.

Recommendation:

The Sheriff:

- A. Reconcile the listing of open items to the cash balance monthly and dispose of any unidentified monies in accordance with state law. In addition, open items held for a considerable time should be routinely followed up on to determine if disbursement is necessary.
- B. Deposit all monies intact daily or when accumulated receipts exceed \$100.
- C. Maintain complete records which track incarceration billings and subsequent payments. In addition, establish and implement procedures for pursuing collection of delinquent incarceration billings.

Status:

- A&B. Not implemented. See current MAR finding number 7.
- C. Not implemented. Generally, the only prisoners held for other entities have been arrested by the sheriff's department on an outstanding warrant and are only held until picked up by the jurisdiction that issued the warrant. Benton County and the other entities do not charge each other in these situations.

STATISTICAL SECTION

History, Organization, and
Statistical Information

BENTON COUNTY, MISSOURI
HISTORY, ORGANIZATION,
AND STATISTICAL INFORMATION

Organized in 1835, the county of Benton was named after Thomas Hart Benton, a U.S. Senator. Benton County is a county-organized, third-class county and is part of the Thirtieth Judicial Circuit. The county seat is Warsaw.

Benton County's government is composed of a three-member county commission and separate elected officials performing various tasks. The county commission has mainly administrative duties in setting tax levies, appropriating county funds, appointing board members and trustees of special services, accounting for county property, maintaining approximately 535 miles of county roads and 76 county bridges, and performing miscellaneous duties not handled by other county officials. Principal functions of these other officials relate to judicial courts, law enforcement, property assessment, property tax collections, conduct of elections, and maintenance of financial and other records important to the county's citizens.

The county's population was 12,183 in 1980 and 17,180 in 2000. The following chart shows the county's change in assessed valuation since 1980:

		Year Ended December 31,				
		2003	2002	2001	2000	1985* 1980**
		(in millions)				
Real estate	\$	111.5	108.1	105.5	101.6	54.2 27.1
Personal property		43.5	41.1	38.6	36.2	11.0 7.7
Railroad and utilities		12.7	14.3	17.1	14.1	7.8 6.8
Total	\$	167.7	163.5	161.2	151.9	73.0 41.6

* First year of statewide reassessment.

** Prior to 1985, separate assessments were made for merchants' and manufacturers' property. These amounts are included in real estate.

Benton County's property tax rates per \$100 of assessed valuations were as follows:

		Year Ended December 31,			
		2003	2002	2001	2000
General Revenue Fund	\$.15	.15	.15	.15
Special Road and Bridge Fund *		.21	.21	.21	.21
Health Center Fund		.40	.40	.40	.40

* The county retains all tax proceeds from areas not within road districts. The county has three road districts that receive four-fifths of the tax collections from property within these districts, and the Special Road and Bridge Fund retains one-fifth. The road districts also have an additional levy approved by the voters.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on September 1 and payable by December 31. Taxes paid after December 31 are subject to penalties. The county bills and collects property taxes for itself and most other local governments. Taxes collected were distributed as follows:

		Year Ended February 28 (29),			
		2004	2003	2002	2001
State of Missouri	\$	50,433	49,099	48,532	45,194
General Revenue Fund		265,721	245,824	246,393	233,742
Special Road and Bridge Fund		320,585	314,929	308,458	287,555
Special road districts		32,674	31,284	31,444	31,980
Assessment Fund		85,654	82,931	81,891	76,233
Health Center Fund		665,146	643,007	639,701	601,918
School districts		5,365,007	5,213,344	5,068,872	4,766,465
Library district		232,918	226,958	224,182	210,840
Ambulance districts		307,700	298,684	293,253	279,478
Fire protection districts		437,879	364,034	350,166	337,847
Surtax		79,187	78,840	84,465	79,021
Nursing home districts		63,544	61,801	59,458	57,126
Junior College		660,159	642,914	634,126	599,257
Overplus Fund		108,802	36,916	28,130	38,014
Cities		122,161	122,978	140,135	118,273
County Clerk		1,189	1,419	1,367	1,536
County Employees' Retirement		51,828	50,330	46,929	46,174
Tax Maintenance Fund		22,891	0	0	0
Commissions and fees:					
County Collector		2,206	2,170	2,198	2,084
General Revenue Fund		145,656	177,382	169,550	127,844
Total	\$	9,021,340	8,644,843	8,459,251	7,940,583

Percentages of current taxes collected were as follows:

		Year Ended February 28 (29),			
		2004	2003	2002	2001
Real estate		90.4	89.9	90.6	89.6 %
Personal property		88.9	89.1	88.6	88.6
Railroad and utilities		98.3	96.0	99.7	99.9

Benton County also has the following sales taxes; rates are per \$1 of retail sales:

	Rate	Expiration Date	Required Property Tax Reduction	%
General	\$.00500	None	50	
Capital improvements	.00500	2006	None	
Law Enforcement - E-911*	.00375	None	None	

* Approved in April 2002 election

The elected officials and their compensation paid for the year ended December 31 (except as noted) are indicated below.

Officeholder	2004	2003	2002	2001	2000
County-Paid Officials:	\$				
Rodney Meyer, Presiding Commissioner		29,060	29,060	28,400	28,400
John Spry, Associate Commissioner		27,060	27,060	26,400	26,400
Walter Schumacher Jr., Associate Commissioner		27,060	27,060	26,400	26,400
Mary Lutman, County Clerk		41,000			
Glenalee Dillon, County Clerk			41,000	40,000	40,000
Karen Woodley, Prosecuting Attorney (1)		96,000	49,000	47,000	47,000
Gary Friar, Sheriff		45,000	45,000	44,000	
Glenn Spencer, Sheriff					33,374
Rick Renno, County Treasurer		30,340			
Kathryn Dockery, County Treasurer			30,340	29,600	29,600
James Miller, County Coroner		13,000	13,000	12,000	4,830
Donna Hart, Public Administrator (2)		20,000	20,000	20,000	1,557
Annabelle Kindle, Public Administrator (2)					3,350
J.D. Johnson, County Collector (3), year ended February 28 (29),	43,206	43,170	42,365	42,084	
Rodger Reedy, County Assessor (4), year ended August 31,		41,900	40,900	39,060	39,060
Jesse Wininger, County Surveyor (5)					

(1) The prosecuting attorney became a full-time position on January 1, 2003.

(2) Amounts in 2000 include fees totaling \$907 received from probate cases. Beginning in 2001, the Public Administrator received a salary in lieu of fees from probate cases.

(3) Includes \$2,206, \$2,170, \$2,198, and \$2,084 respectively, of commissions earned for collecting city property taxes.

(4) Includes \$900 annual compensation received from the state.

(5) Compensation on a fee basis.

State-Paid Officials:

Cheryl Schultz, Circuit Clerk and Ex Officio Recorder of Deeds	47,300	47,300	47,300	46,127
Larry Burditt, Associate Circuit Judge	96,000	96,000	96,000	97,382

In 1995, a juvenile detention center was constructed in the city of Bolivar for the Thirtieth Judicial Circuit. The five counties in the circuit are required to pay for the cost of construction in accordance with a cooperative agreement with the Thirtieth Circuit Youth Services, Inc., a not-for-profit organization established to operate the detention center. The Bolivar Industrial Development Authority issued revenue bonds of \$830,000 on behalf of the Thirtieth Circuit Youth Services, Inc., to finance the required share of construction costs for each of the counties in the circuit. The Thirtieth Circuit Youth Services, Inc., makes the bond payments, but the counties are required to pay their share of the debt in accordance with the cooperative agreement. The remaining debt associated with the construction totaling \$299,000 was refinanced on October 29, 2001. The interest rate is 5 percent and payments are made semi-annually for five years, with a lump sum payment due on November 1, 2006. Benton County's share of the debt is 65.36 percent and on December 31, 2003, the county's obligation for the remaining principal balance was \$163,425.

The county has entered into several lease purchase agreements for road and bridge equipment. At December 31, 2003, the principal balance of the leases totaled approximately \$559,000. Principal and interest payments are made from the Special Road and Bridge Fund.